



NATIONAL ASSOCIATION OF
CHAIN DRUG STORES

Statement on

**ISSUES RELATING TO IMPLEMENTATION OF THE
MEDICARE-ENDORSED PRESCRIPTION DRUG DISCOUNT
CARD PROGRAM**

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**United States Senate Special Committee on Aging
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Mr. Chairman, Senator Breaux, and Members of the Senate Special Committee on Aging. My name is Craig L. Fuller, President and CEO of the National Association of Chain Drug Stores (NACDS). I am pleased to be here today to talk with you about our industry's views about the upcoming Medicare-endorsed prescription drug discount card program. In addition to today's discussion, I would like to invite all members of the Committee, as well as your Senate colleagues, to visit a community pharmacy over the next few months to see first hand how the Medicare prescription drug discount program is being implemented.

You will have no trouble finding one of our members to visit. NACDS represents 217 companies that operate more than 33,000 community retail chain pharmacies. Our members include traditional chain pharmacies, supermarket pharmacies and mass merchandisers that operate pharmacies. We represent large and small chain-operated pharmacies from all over the United States. Our industry employs more than 120,000 pharmacists, and about 3 million total individuals, and provides over 70 percent of all outpatient prescriptions in the United States. We believe that our industry has a critical role in helping to implement the discount card program that will be launched later this year, and the full Part D prescription drug coverage program in 2006. We appreciate the opportunity to express our views today.

With the enactment last year of the Medicare Modernization Act (P.L. 108-173), the Congress committed to the most significant expansion of Medicare benefits in the nearly 40 year history of the program. While NACDS participated in a healthy debate last year, there is only one view among NACDS members today – we must and will do everything possible to make this program work. I know you expect nothing less and America's seniors certainly deserve nothing less.

On behalf of my members and the staff at NACDS, I want to express appreciation for the opportunity we have had to work closely with the Congress and Administration on implementation of various provisions of the MMA. This clearly is an enormous undertaking for the Administration in a rather short time frame.

I want to commend the staff of the Centers for Medicare and Medicaid Services (CMS) with whom we and many others have been working closely on implementation of the discount card program and the Part D prescription drug coverage program which begins in 2006. We believe that Medicare coverage for pharmacy services is a long overdue addition to the Medicare program, and the discount card program in 2004 and 2005 will be an important “first step” in helping seniors understand what to look for in selecting a Medicare pharmacy benefit in 2006.

Retail Pharmacies: Card Implementers and Card Sponsors

As the Committee knows, NACDS began last year with a very clear set of priorities that were addressed during the course of debate on a Medicare prescription drug benefit. Central to all of our beliefs is the notion that our seniors – indeed all of our customers – deserve to make their own choice in where they seek pharmacy related services and pharmaceutical products. Hence, we called for a *level playing field* and *open access* to insure that seniors were not pushed out of their neighborhood pharmacies where they interact today with a trusted pharmacist, and that they could receive medications for 30 or 90 days at competitive prices from their retail pharmacy. We also believe that there should be clear rules of *transparency* associated with a Medicare endorsed prescription drug program.

The leadership of NACDS concluded after passage of MMA that it was important for the industry to offer a national prescription drug discount card program. Thus, we are currently seeking Medicare endorsement for a card program that provides seniors with a meaningful benefit in a manner consistent with the principles we articulated last year.

We approached the implementation of the discount card program with two important perspectives. First, millions of seniors currently come to our pharmacies to obtain their prescription medications, and will continue to do so after the discount card program is launched. Many of them already have some form of coverage for prescription drugs, while some use existing discount cards, and others pay cash for their prescriptions.

Now, with the launch of the card program this spring, many of them will use their new Medicare-endorsed discount card to purchase their prescriptions. How much will these new discount cards reduce the amount that seniors pay for prescriptions? What challenges will these new cards present to beneficiaries and pharmacies?

We can tell you that pharmacists who work in our stores are already getting questions both about the new discount card program and Part D prescription drug coverage program. There appears to be a lot of interest and excitement about these new programs. Therefore, we first want to talk to you today about some of the real world implementation issues that we see for Medicare beneficiaries, pharmacies, and pharmacists in making this new discount card program work efficiently.

Rather than address some of these issues from the sidelines, we elected to develop a senior discount card offering, apply for Medicare endorsement, and make it available to all of community pharmacy. Earlier this year, we restructured an entity we formed two years ago called the Pharmacy Care Alliance. Today, the Pharmacy Care Alliance, known as the PCA, is a joint venture of NACDS and Express Scripts, one of the nation's largest pharmacy benefit managers (PBMs). We are partnering with Express Scripts to offer a discount card program because we found Express Scripts equally dedicated to the proposition that we must make this program work for America's seniors and because they are committed to executing a program that is consistent with the principles that NACDS and all of pharmacy advocated during Medicare reform.

Namely, that patients should have the right to choose the retail pharmacy from which they want to obtain their pharmacy services, and that patients should have the ability to obtain their maintenance medications through their local retail pharmacy or mail order. The card that we will offer will include a mail order component, but will not drive patients away from retail pharmacy by requiring that they use mail or creating financial incentives to use mail order.

We also believe that any price discounts, rebates and concessions that card sponsors are able to negotiate from manufacturers and pharmacies should be passed through to the beneficiary, so that beneficiaries can achieve the maximum savings on their prescription drugs.

As we have heard many times, one of the primary driving forces behind the discount card is to give seniors the same purchasing leverage for prescription drugs that millions of Americans currently have through their prescription drug coverage programs. We will succeed in this mission only if the discounts that card sponsors obtain are in fact passed through to beneficiaries to reduce the prices of their medications. At this point in time, I am pleased to report that commitments by most of the pharmaceutical manufacturers as well as the nation's pharmacies suggest that seniors using the Pharmacy Care Alliance card will enjoy levels of savings not previously available in traditional discount card programs. Indeed, we believe we will exceed the generally accepted savings goals for this type of program of between 10 and 25% savings.

Implementation Issues for Beneficiaries and Pharmacies

Managing Beneficiaries' Card Program Expectations: Let me talk more in detail about some of the issues relating to what seniors, pharmacies and the marketplace can expect as the discount card program is implemented. Clearly, pharmacists and pharmacies have been and will continue to be on the front lines in helping seniors obtain their prescription medications. Pharmacies do this by providing assistance to seniors in understanding and navigating their existing drug coverage and drug card programs, offering seniors lower-cost generics, or possibly directing them to manufacturer patient assistance programs that might provide them their drugs free of charge.

In other words, pharmacies are already responsible for doing the actual work of interacting with the patients and filling their prescriptions, collecting copays, coordinating benefits with other third party payors, enforcing plans' formularies, counseling patients on their drugs, resolving problems with their coverage, and telling patients when their drugs are not covered, or that their prescription copays have increased. We expect to continue to do this under both the card and coverage programs.

However, in another very important way – regardless of which card programs our members agree to participate in – pharmacies will also be responsible for managing beneficiaries' expectations regarding the discount card program. This may be just as important in helping them manage their drug benefits or drug therapy. Many seniors, as we know all too well, are desperate for help in paying for their medications. However, pharmacies will have an important role in helping to explain to seniors the nature of the discount card program, that the discount card is not drug coverage, and that they still need to pay for their prescriptions out-of-pocket, minus their discount.

Some Medicare beneficiaries are already asking our pharmacists whether Medicare can pay for some or all of their prescription drug bills. We all know that the earliest that will happen is 2006 for individuals that are not eligible for the transitional assistance that is available to certain low-income seniors under the card program. All of these expectations have to be managed, and pharmacies will be on the front lines of doing this, since we are the ones who primarily interact with patients.

Educational Outreach: To help in the massive educational effort regarding this card program, we have been working with CMS to review and begin distributing materials that they are producing. These include materials that will be provided to pharmacies that work in our stores, so that they understand the discount card program and can answer the many questions that Medicare will have. We will also encourage our member companies to have CMS-prepared materials about the card program available in pharmacies to provide to beneficiaries, and will direct beneficiaries to the 1-800-Medicare number for more information. NACDS is also preparing educational materials for pharmacists, including continuing education programs.

Discount Expectations: Although CMS has said that seniors can expect to see discounts of anywhere between 10 and 25 percent on their prescriptions, remember that many pharmacies already offer discounts to seniors on their prescription medications.

Some studies demonstrate that discounts under existing prescription discount card programs are slightly better – or sometimes less – than the discounts that seniors can obtain by comparing prescription prices among pharmacies, and asking their pharmacy for a senior citizen discount. Remember also that many seniors already have prescription drug discount cards of one form or another, and they may find that their new Medicare-endorsed discount card provides the same, slightly higher, or slightly lower prescription prices than the discounts that they obtained under other card programs. For example, many seniors have enrolled in the recently-launched pharmaceutical manufacturer discount card programs that have been offering either significant discounts on prescription medications, or are only requiring a single, flat copay per prescription, such as \$12 or \$15 for a 30-day supply of medication.

Therefore, much of the perceived and actual success of the new Medicare-endorsed discount card program will depend on whether card sponsors are able to obtain significant rebates and discounts from manufacturers and pharmacies, the extent to which these are passed along to beneficiaries, and how these discounts compare to existing card programs and the prices that they are already paying with any pharmacy discounts they might already be receiving.

Helping Seniors Decide: We also expect that many seniors will turn to our pharmacists to help them figure out which discount card program to choose, since there are likely to be several national and regional card programs from which to select. If a measure of the Medicare law's success is greater choices for seniors, it looks good so far, at least as it relates to the discount card program. Reports are that CMS has received more than 100 applications from potential card sponsors.

However, the challenge for seniors, and for pharmacies, will be helping them sort through all the details of the various card programs, such as whether the drugs covered under a particular card program match with the drugs that the senior is taking, whether there are significant discounts on the prices of the drugs, and whether the patient's retail pharmacy is part of the card sponsor's network. Invariably, seniors will turn to family members, friends, and their pharmacists to help them decide.

Pricing Website: Pharmacies are also preparing for many questions about drug prices from beneficiaries with endorsed cards. That is because CMS will be creating a new discount card website that will help seniors compare the prices of their medications from the various card sponsors. This pricing website will help seniors choose an initial card program this May, as well as help them decide in the fall of 2004 whether to remain in the same program or pick a new card program for 2005. While we support transparency in medication pricing at all levels, we believe that this website will create some challenges to seniors and pharmacies.

That is because, once the program gets started, prices for prescription drugs under the card programs will be allowed to change weekly on this website, consistent with changes in manufacturers' charges for medications, as well as other changes in the market, such as a change in discounts that are available from manufacturers or pharmacies. We believe that, consistent with free market principles, prescription prices under these card programs must be allowed to change since prices of pharmaceuticals increase, as does the cost of doing business. Anything less would be price controls on pharmacies.

However, in reality, beneficiaries may have chosen a particular card program for 2004 or 2005 based on prices posted on this website. But, by the time the beneficiary arrives at the pharmacy to purchase their prescription, those prices may have changed, and the beneficiary may be disappointed to find that they must pay a higher price than the one that was on the website. The beneficiary may also find that they picked a particular card program because of the drugs that were initially covered under the card sponsor's formulary, only to find that the drugs are no longer covered, or not covered at the same discount level.

CMS must be diligent in all its educational materials – as should all card sponsors – to make clear to beneficiaries that card sponsor prescription drug prices will likely not remain the same during the year, and in fact, that there may be frequent price changes, and that drugs covered on the formulary might change as well.

Transparency in Rebates and Discounts: We think it is key for seniors, Medicare and Members of Congress to know whether card sponsors are obtaining significant price reductions from manufacturers and pharmacies, and whether these are being passed through to beneficiaries in the form of lower prices. The discount card law requires that this type of information be reported to CMS, which cannot make it public. We think it is important, however, to ensure that any PBM or other private health plan involved in the Medicare program be required to disclose any relevant financial data so that federal officials could monitor whether the money was being spent wisely, and savings were being passed on to seniors. In our Pharmacy Card Alliance card program, we will have clear and rigorous rules regarding transparency, verified by an independent auditor who will have the right to review proprietary information to ensure compliance. Congress, CMS, and Medicare beneficiaries should expect the same from every card program receiving CMS endorsement.

Participation by Pharmacies in Card Programs: With regard to participation by chain pharmacy in the various discount card programs, NACDS member pharmacies, as well as all retail-based pharmacies, will have to make their own individual decisions about whether to participate in the various card programs that will be offered. Given that there are likely to be dozens of endorsed programs, each pharmacy operation will have to assess the benefits of participating in each of these programs.

Among our highest implementation priorities for the discount card program and the Part D prescription drug coverage program is assuring that the standards for beneficiary access to pharmacies be implemented consistent with Congressional intent. This refers to the so-called “TRICARE” access standards.

We are concerned however, that CMS’s implementation of these standards in the Medicare-endorsed prescription drug discount card and transitional assistance program is inconsistent with Congressional intent. As a result, beneficiaries’ access to their local community retail pharmacy will be reduced. As we understand it, CMS is allowing endorsed card sponsors to implement these standards on average across an entire service area or region, rather than in each state in the service area or region.

We are particularly concerned about the impact of this interpretation on beneficiaries in rural areas, who might have to travel much longer distances to a pharmacy if the one closest to their home is not in the pharmacy network. We are hopeful these issues can be corrected before the Part D coverage program is implemented, which is scheduled for 2006.

In our Pharmacy Care Alliance card program, any pharmacy can participate in the program that is willing to meet the terms of participation. There will not be a restrictive pharmacy network. We think that seniors will find our card program to offer a unique combination of highly competitive prices, and freedom to choose the pharmacy from which they can obtain their prescription medications.

Transitional Assistance Issues: Pharmacies will also work with low-income seniors that are eligible for the \$600 in annual transitional assistance to help them make the most of this dollar amount. We can do this by offering generic drugs where possible, and working with a beneficiary's physicians to assure they are taking the most cost-effective brand drugs possible. In other words, pharmacies can make the \$600 stretch further if we can work with the beneficiary and their physician on assuring appropriate prescription drug use. Because we often know our patients' financial ability (or inability) to obtain their medications, pharmacies are also in an excellent position of identifying low-income seniors that might be eligible for transitional assistance so we can encourage them to enroll in a card program.

Administrative Issues Relating to Card Programs: Pharmacies are highly automated health care providers, processing almost 3.4 billion prescription claims each year in an online, real-time manner. Consistent with this operating model, we want these card programs to be simple to administer for pharmacies that want to provide prescriptions efficiently.

We do envision, however, some potential administrative issues with the card program, especially in cases where state Medicaid or state pharmaceutical assistance programs decide to "wrap around" the benefit, and pay the copays or any additional coverage, for transitional assistance individuals.

This information about “wrap around” benefits must be provided to pharmacies at the point of care in a real-time manner by the card sponsor to coordinate these benefits, without any charge by the card sponsor to the pharmacy for providing this necessary information. This information will help pharmacies determine who is responsible for paying for the prescription, and the pharmacist can bill the appropriate and liable third party.

We also see potential issues where beneficiaries have both a CMS-endorsed prescription drug discount card and multiple non-endorsed prescription drug discount cards, which is a very real possibility. Beneficiaries may ask pharmacies to determine which card provides them a better price for their medication, an endorsed card or a non-endorsed card. To facilitate this process, we believe that all card sponsors should collect information from beneficiaries at the point of enrollment about other potential card programs or sources of coverage that they have. This will facilitate the provision of pharmacy services through the card programs.

Finally, consistent with current industry practices, CMS must also allow card sponsors to adjudicate claims transactions for drugs and supplies covered under the discount card program in an on line, real time manner. CMS cannot require that any part of the transactions for this program be conducted in any form of batch transaction standards.

Conclusion

In conclusion, we believe that there will be many challenges for all stakeholders in implementing this Medicare-endorsed prescription drug discount card program. The next two years will go a long way in helping all of us prepare for the prescription drug coverage program that will begin in 2006 and beyond. Medicare beneficiaries will continue to rely on pharmacists – as they have done in the past – to help them understand how to use the new Medicare-endorsed discount card programs.

We think that, properly structured, these card programs will be a success. Seniors will ultimately judge these programs on the discounts that they offer, whether they offer a wide range of choices for seniors to obtain their medications, and the level of customer service that they provide. We welcome the opportunity to provide you additional information on any of the issues we discussed here. Thank you Mr. Chairman and members of the Committee for asking us to present our views here today.